

National Defense Topline

(Discretionary \$ in Billions)

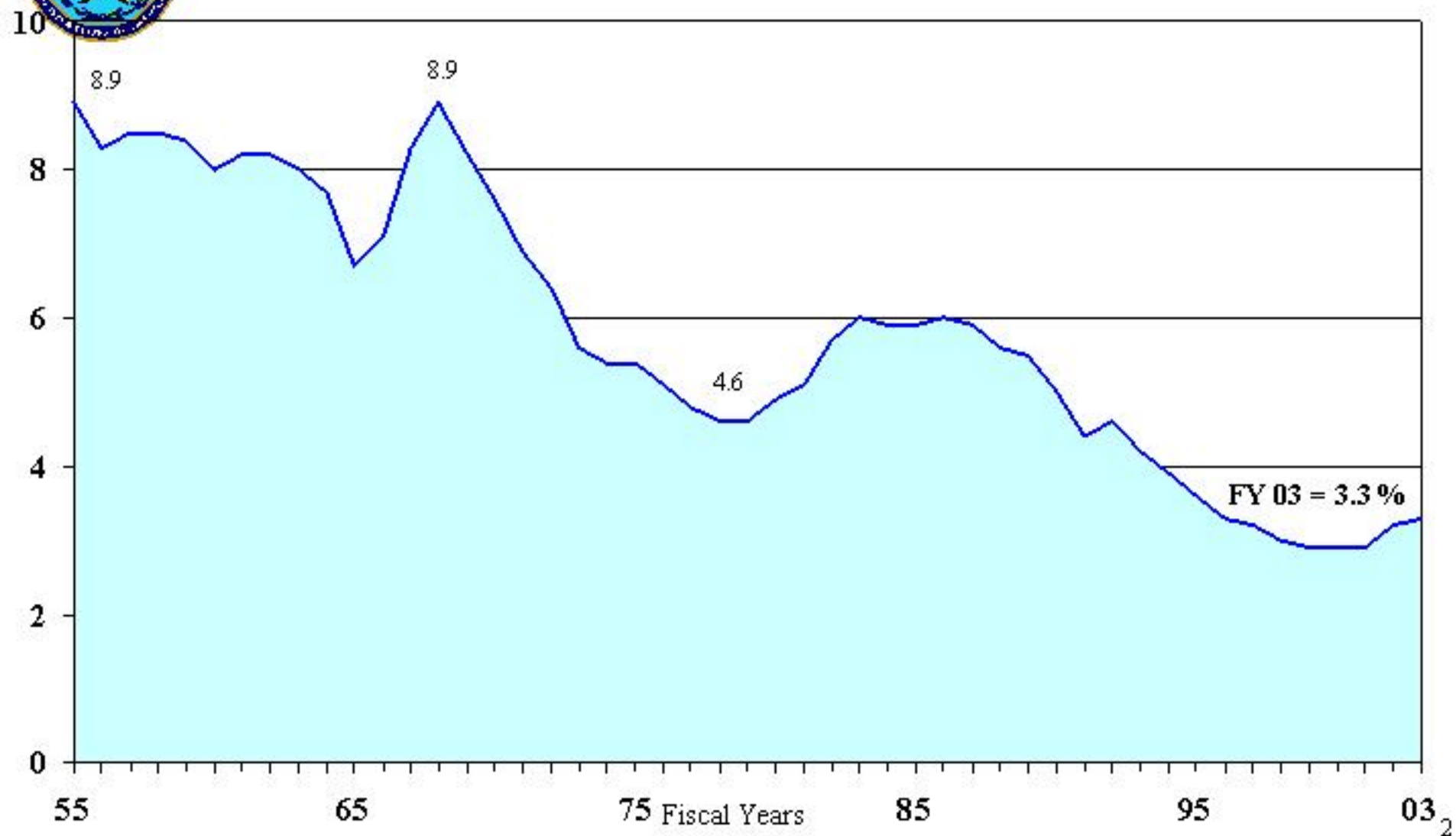


Budget Authority

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>
DoD Discretionary	331.2	369.3	387.9	408.8	429.6	451.4
Civilian accrual *	3.2					
War contingency		10.0				
Revised DoD (051)	334.3	379.3	387.9	408.8	429.6	451.4
DoE - 053	15.1	15.6	15.9	16.2	16.5	16.9
Other - 054	<u>1.3</u>	<u>1.2</u>	<u>1.3</u>	<u>1.3</u>	<u>1.3</u>	<u>1.3</u>
Total National Defense (050)	350.8	396.1	405.0	426.2	447.4	469.6

* Included in DoD budget FY 03-FY 07; FY 02 shown for information only

DoD Outlays as Percent of GDP



DoD Outlays as Percent of Federal Budget



FY 03 DoD Budget

(Budget Authority, \$ in Billions)



FY 02 Enacted Budget	331.2
Inflation	+6.7
“Must Pay” bills:	+14.1
Military over 65 health care accrual	+8.1
Civilian retirement/health care accrual	+3.3
Military & Civilian pay raises	+2.7
Realistic costing :	+7.4
Realistic weapons costing	+3.7
Fund readiness/OPTempo	+3.1
Depot maintenance	+0.6
Program Adjustments	-9.3
Baseline FY 03 requirements	350.1
Cost of War	<u>+19.4</u>
Revised Baseline	369.5
FY 03 Budget	379.3
Available for all other requirements	+9.8

Trade-Offs Made



Making Changes to What We Fund

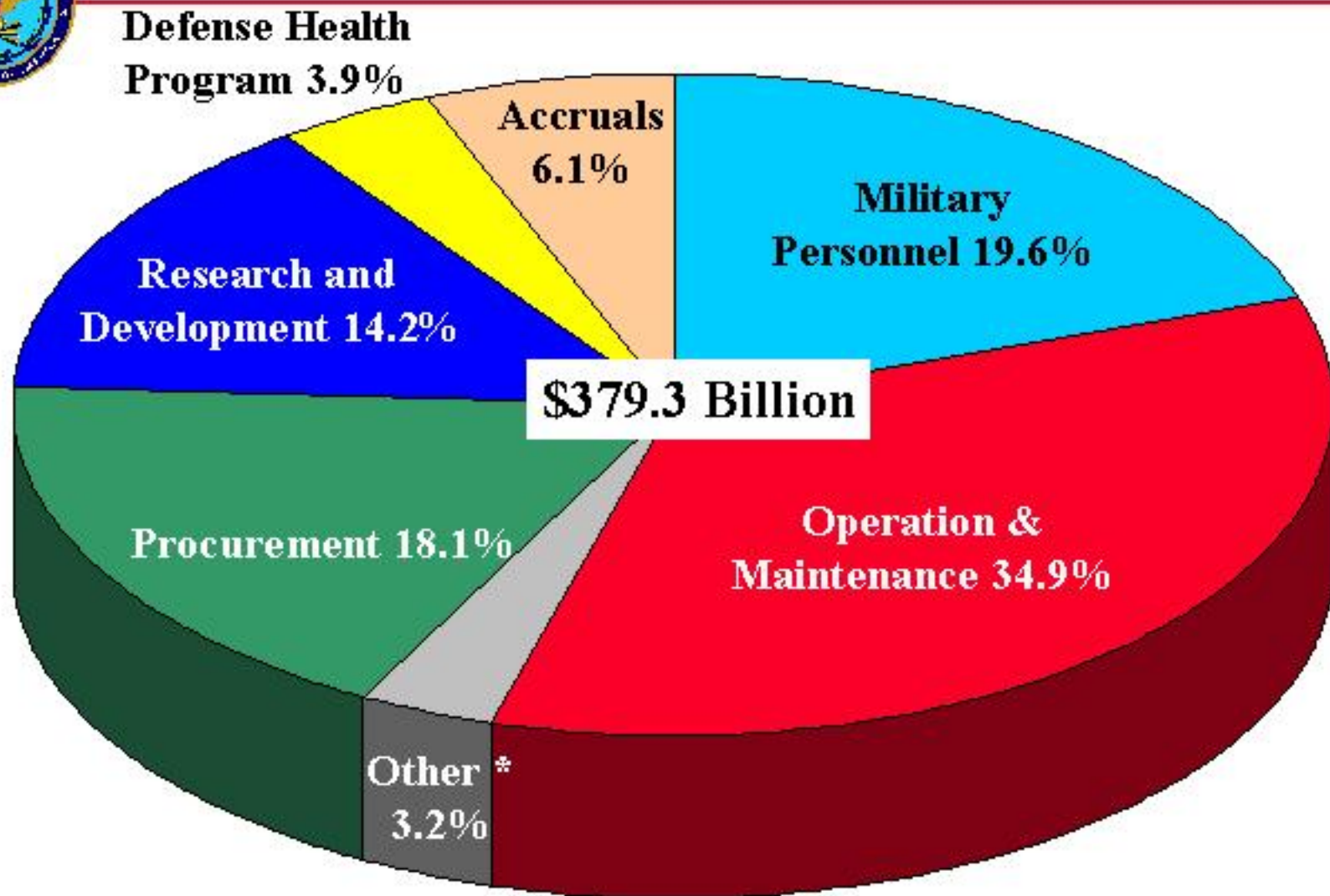
- Terminated programs not in line with strategy or not meeting performance
 - DD-21, Navy Area Missile Defense, 18 Army legacy programs, Peacekeeper
- Restructured programs not meeting hurdles
 - V-22, SBIRS-Low
- Managing assets in a more business-like manner
 - B-1 consolidation to support funding of B-1 modernization
- Accelerate retirement of aging systems
 - F-14, S-3, UH-1 helicopters, DD-963

Decisions to Fund Higher Priorities

- Some procurement rates not at replacement level
 - Shipbuilding
 - Tactical aircraft
- Faster growth in S&T
 - Held at realistic capacity
- Focusing recapitalization of legacy forces
 - Reduced buys of legacy systems
- Modernizing the infrastructure
 - Rate slowed by base closure dates

FY 03 DoD Budget

(Discretionary Budget Authority)



* Includes Military Construction, Family Housing and Revolving Funds

DoD Discretionary Toplines

(\$ in Billions)



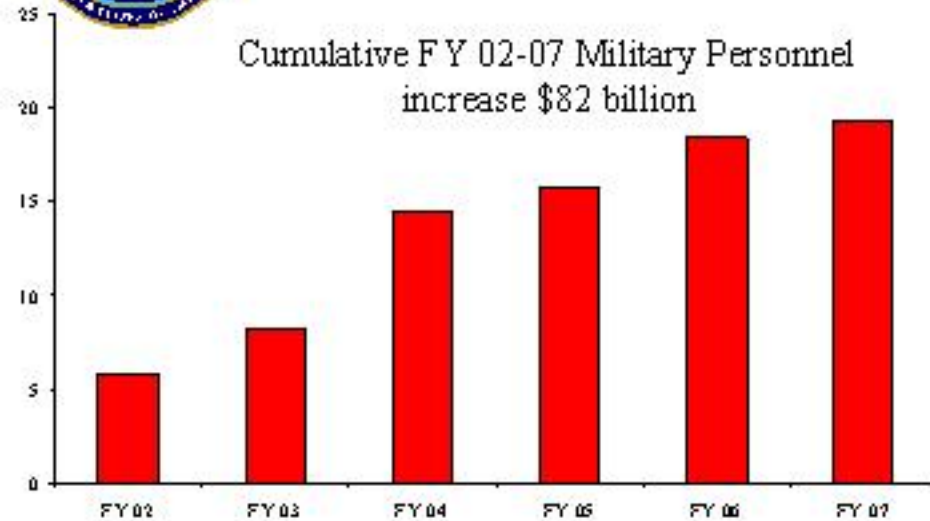
	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>CUM</u>
FY 02 Baseline	306.0	314.4	323.2	332.2	341.5	351.1	
FY 02 Amended Budget Request	328.9						
FY 03 Budget	334.4	379.3	387.9	408.8	429.6	451.4	
Dollar change FY02/FY 03	28.4	64.9	64.7	76.6	88.1	100.3	423.0
Percent Change	9.3	20.6	20.0	23.1	25.8	28.6	

Funding Increases FY 02 Baseline-FY 03 Budget

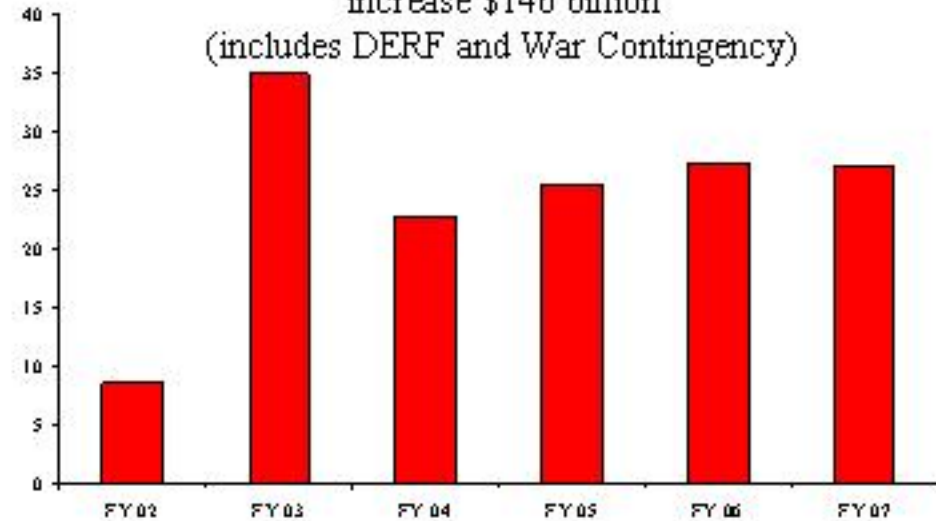
(\$ in Billions)



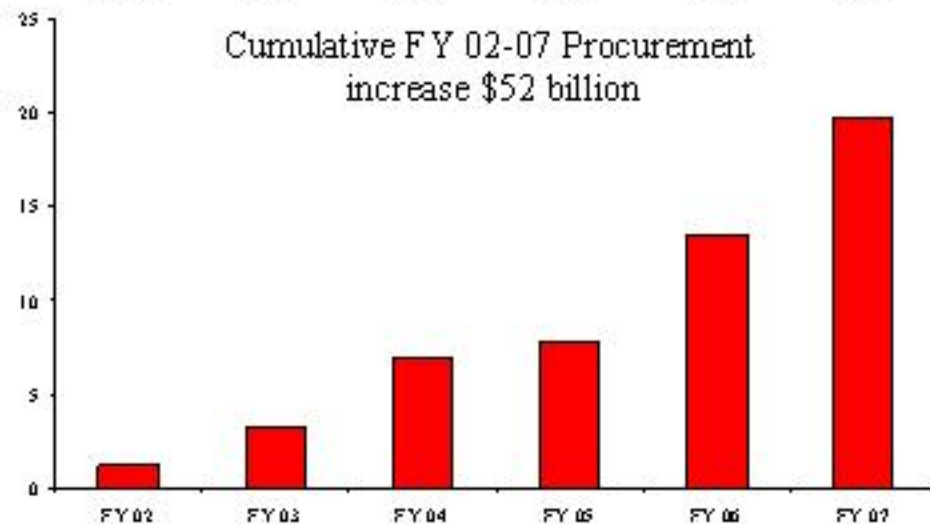
Cumulative FY 02-07 Military Personnel
increase \$82 billion



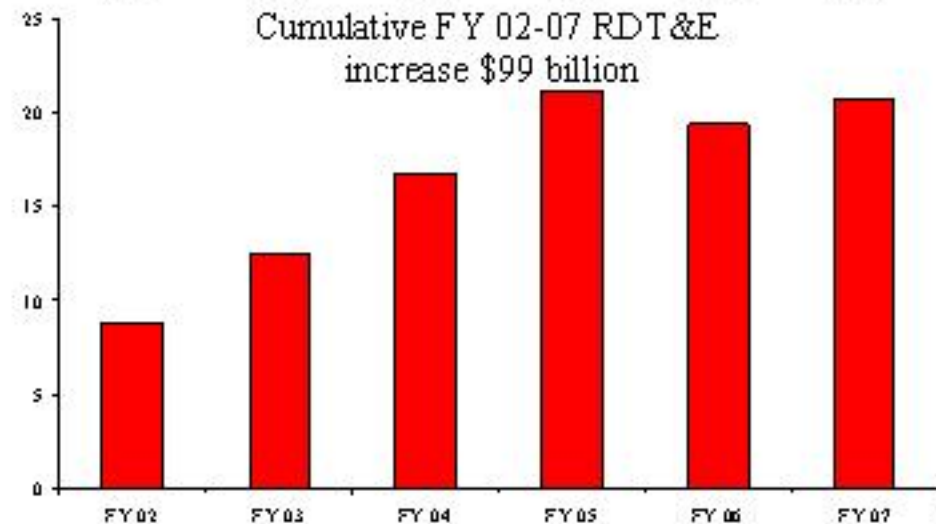
Cumulative FY 02-07 Operation & Maintenance
increase \$146 billion
(includes DERF and War Contingency)



Cumulative FY 02-07 Procurement
increase \$52 billion



Cumulative FY 02-07 RDT&E
increase \$99 billion



DoD Budget by Service

(Discretionary Budget Authority, \$ in Billions)



	<u>FY 02</u>	<u>FY 03</u>	<u>Change</u>
• Army	80.9	90.9	+10.0
• Navy/Marine Corps	98.8	108.3	+9.5
• Air Force	94.3	107.0	+12.7
• Defense Emergency Response Fund	3.5	20.1	+16.6
• Defense Wide *	<u>53.7</u>	<u>52.9</u>	<u>-0.8</u>
Total	331.2	379.3	+48.1

* Includes Defense Health Program

Military Personnel

(Budget Authority, \$ in Billions)



Overview:

	<u>FY 02</u>	<u>FY 03</u>
• Army	30.4	35.6
• Navy	21.2	24.0
• Marine Corps	7.8	9.1
• Air Force	<u>22.6</u>	<u>25.5</u>
Total	82.0	94.3

Highlights:

- Fund military pay raise at Employment Cost Index plus 1/2% (4.1%)
- Fund additional targeted pay raise up to 2% for the mid-career force
- Reduce Basic Allowance for Housing out-of-pocket costs for military members from 11.3% to 7.5%; eliminate by FY 05
- Active duty personnel end strength of 1,389,700
- Selected reserve and guard personnel end strength set at 864,600

Operation & Maintenance

(Budget Authority, \$ in Billions)



Overview:

	<u>FY 02</u>	<u>FY 03</u>
• Army	27.9	31.0
• Navy	31.1	34.0
• Air Force	31.9	34.0
• Defense Emergency Response Fund	3.4	20.1
• Defense Wide *	<u>33.4</u>	<u>31.2</u>
Total	127.7	150.4

Highlights:

Sustain significant funding to meet realistic readiness and training requirements

- Increase Army tank miles to 849 in FY03 from 831 in FY 02
- Increase Navy tactical flying hour program to meet goal of 89% of requirements, up from 84% in FY 02
- Fully fund 1.3 million Air Force flying hours, as in FY 02

* includes Defense Health Program

DoD Health Care

(Budget Authority, \$ in Billions)



FY 02

FY 03

Overview:

Health care costs

18.3

22.4 *

Highlights:

Increase in benefits has made this one of our fastest growing accounts. The FY 02 budget realistically funds these health care costs:

- Pharmacy costs grow at 15%
- Managed care support contracts/other private sector care grows at 12%
- Military treatment facilities grow at 6.2%
- Funds accrual payments for Medicare-eligible retirees

* Reflects health care accrual costs in Military Personnel accounts

Military Construction/Family Housing

(Budget Authority, \$ in Billions)



FY 02

FY 03

Overview:

Military Construction

6.5

4.8

Family Housing

4.1

4.2

Highlights:

- Delay military construction projects to align with delay in BRAC
- Family Housing funding increased to emphasize Quality of Life (2 new child care centers, 7 new physical fitness centers)
- Increased emphasis on sustainment and Quality of Life (46 new Barracks)
- Services are funding 91% of the sustainment requirement vs. 89% in FY 02

Missile Defense Program

(Budget Authority, \$ in Billions)



Overview:

	<u>FY 02</u>	<u>FY 03</u>
• Missile Defense System	0.8	1.1
• Terminal Defense	0.1	0.2
• Midcourse Defense	3.8	3.2
• Boost Defense	0.6	0.8
• THAAD	0.9	1.0
• PAC-3	0.9	0.6
• MEADS	0.1	0.1
• Other	<u>0.6</u>	<u>0.9</u>
Total	7.8	7.8

Highlights:

- Terminate Navy Area Theater Ballistic Missile Defense program
- Slip Space Based Infra-Red System-Low (SBIRS-L) 2 years
- Increase Sea, Air and Space based boost programs
- Establish Missile Defense Agency and joint government/contractor Missile Defense National Team for system integration

Transformation Highlights



Trident submarines:

- Convert four submarines to SSGNs - \$1,018 million

Army Transformation:

- Advance the Army's **Future Combat System** - \$707 million

Space capabilities:

- Continue development of the **Advanced Extremely High Frequency Satellite Communications System** - \$826 million
- Accelerate development of the **Space Based Radar** - \$43 million
- Continue promising space control initiatives - \$40 million

Unmanned vehicles:

- Accelerate improvements for **Global Hawk** - \$629 million
- Accelerate development of UAVs with new combat capabilities - \$141 million
- Procure, upgrade and arm **Predators** - \$158 million
- Begin development of Navy's **Unmanned Underwater Vehicle** - \$83 million

Transformation Highlights



Surface warfare:

- **Initiate DD(X) to insert new technologies into all future surface combatants - \$961 million**

Advanced intelligence capabilities:

- **Expand wideband, secure, global communications network - \$1.3 billion**
- **Provide persistent, responsive and robust intelligence collection; better information to the warfighter faster - \$3.3 billion**

Precision strike munitions:

- **Develop the Small Diameter Bomb - \$54 million**

Procurement

(Budget Authority, \$ in Billions)



Overview:

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 03-07</u>
• Army	11.6	13.8	77.3
• Navy/Marine Corps	24.3	24.9	157.9
• Air Force	22.2	27.3	159.9
• Defense Wide	<u>3.0</u>	<u>2.8</u>	<u>13.4</u>
Total	61.1	68.7	408.5
• Procurement in DERF		3.2	

Highlights:

- Increase equipment for Special Operations Command
(e.g. on-board sensors to detect and counter missile threats; towed decoys and low-band jammers to defeat radar guided missiles; 4 AC-130U gunships)
- Fund 5 ships and SSGN conversions in FY 03
(1 SSN-774 Virginia class submarine, 2 DDG-51 Arleigh Burke class destroyers, 1 LPD-17 Amphibious Transport Dock ship, and 1 T-AKE Combat Logistic Force ship)
- Increase F-22 aircraft production from 13 to 23

Low Density/High Demand



- Global Hawk (UAV) - (\$629 million)
 - Buy 3 air vehicles - (\$170 million)
 - Accelerate planned evolutionary development - (\$306 million)
 - Radar range improvements and SIGINT
 - Begin development of an operational maritime UAV - (\$152 million)
- Unmanned Combat Air Vehicle - (\$141 million)
 - Continue development of UCAV to begin operational assessment in FY08
- MH-53 Extension - (\$85 million)
 - Install an Advanced Directional Infrared Countermeasures System - (\$31 million)
 - Extend life of MH-53s to 2011 due to delays in CV-22
- Predator - (\$158 million)
 - Buy 22 new air vehicles; upgrade and arm remaining fleet

RDT&E

(Budget Authority, \$ in Billions)



Overview:

	<u>FY 02</u>	<u>FY 03</u>
• Army	7.0	6.9
• Navy/Marine Corps	11.4	12.5
• Air Force	14.5	17.6
• Defense Wide	<u>15.5</u>	<u>16.8</u>
Total	48.4	53.9

Highlights:

- Fund DD-X ship development
- Continue Joint Strike Fighter development
- Accelerate Special Operations Command capabilities
- Fund Advanced Extremely High Frequency satellite and laser communications
- Sustain intelligence and other science and technology (S&T) efforts
- Fund S&T at 2.7% of Topline

Continue to Improve DoD Management Operations



- **Continue Commitment to Effective Programs**
 - Use more realistic weapon system costing
 - Terminate programs not meeting performance or not in line with strategy—*DD-21, Navy Area Missile Defense, 18 Army legacy programs*
 - Accelerate retirement of aging, high cost-to-maintain programs—*F-14, S-3, UH-1 Vietnam era helicopters, DD-963s*
 - Restructure or delay programs not meeting hurdles—*V-22 (comprehensive flight tests), Comanche (remove Concurrency), SBIRs*
- **Improve Financial Performance**
 - Develop, by 2003, a department-wide financial management enterprise architecture and a transition plan to consolidate and modernize non-financial business processes and systems
- **Achieve More Effective Headquarters Operations**
 - Restructure and reduce headquarters staffs
 - Combine program/budget review
- **Support President's Management Council Initiatives**
 - Improve Human Resource Planning
 - Privatize more Military Family Housing